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TAGS: [EPET](#) [ENRG](#) [PREL](#) [PGOV](#) [IZ](#)  
SUBJECT: DEPUTY OIL MINISTER HAS SECTARIAN WORRIES

Classified By: CETI/EMIN Ambassador Charles Ries, reasons 1.4 b and d

11. (S) SUMMARY: A senior GOI official warned EMIN about Iranian influence within the Oil Ministry, and conveyed his fear that the Ministry is falling apart due to sectarian tension. If left unchecked, he warned that USG officials in 4-5 months would no longer find it safe to visit or even be welcome in the Oil Ministry. END SUMMARY.

#### Iranian Plot

12. (S/NF) Motasim Akram Hassan (protect), one of three GOI Deputy Oil Ministers, told EMIN on September 12 that he sees signs of a sectarian plot to take over key GOI ministries. He had wanted to meet the Ambassador before, but he recounted how earlier that same day, he had been called into a meeting with two generals, the Minister of Interior, Minister of Defense, and the Minister of State for National Security, to discuss the situation in southern Iraq, but without the involvement of other Ministers. Essentially, the Mahdi army and Fahdila are battling for control, with the Mahdi army aligning itself with the Gulf States and Fahdila with Iran (NOTE: we have heard no other information corroborating these claims regarding alignments END NOTE), and the Shia national leaders are facilitating the split from the central government.

13. (S) The DepMin said that Oil Minister Shahrستاني is under great pressure to follow instructions, which he believes come from Iran. He gave an example of a contract for 100 trucks, which the Minister directed be purchased from Iran. When the DepMin protested that the contract needed an open tender, the Minister directed that the bid documents be tailored to an Iranian company so that it would be sure to win the tender. When Oil DepMin al-Wagga was released from captivity after his kidnapping, the Minister had said that he had gathered a ransom, but actually had gotten al-Wagga released after making a phone call to "a country." The Minister had not said which country, but it was obviously Iran, he thought.

14. (S) The only time Shahrستاني has not bowed to Iran was on construction details for the proposed Iraq/Iran crude pipeline. Iran had wanted to build the entire line, even within Iraqi territory, but the Minister had successfully countered that there was no way even Shia Iraqis would swallow Iranian workers on the Iraq oil network. The Minister had suggested the Iran/Iraq pipeline is needed because it would increase export capacity, but the DepMin thinks that is not true. Iran needs Iraqi oil because the API of projected Iranian crude will change over the next 5-7 years, and the relatively lighter Iraqi crude would be used for blending to keep the Abadan refinery online. The current 1.7 mbp Iraqi export capacity can only be increased by well work-overs, since the old wells need rehabilitation, he added.

15. (S) The Depmin suggested that the Minister had visited

Russia to conclude a three-way deal: dangling the prospect of Iraqi oil contracts on behalf of Iran so that Russia would oppose more sanctions against the Iranian nuclear program. He does not think the Minister has the authority to enter into contracts with international oil companies absent the framework hydrocarbon law, despite the Minister's recent assertions to the contrary.

Meanwhile, back at the Ministry...

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¶6. (S/REL MNF-I) Due to sectarian division and lack of security, the Oil Ministry is paralyzed, according to the DepMin. Many people have taken vacation or extended leave. If one walks through the halls, one sees only half as many people present as normal. As for the operating companies, things are getting worse, for example, the refineries' production yields are decreasing. The lack of kerosene supply promises to be a very dangerous issue this winter. Lack of kerosene will hurt the Kurds most, and the Shia attitude is to forget about the Sunnis entirely. Imports will ensure that Najaf and Karbala will be OK, but there will be no distribution to the north. The recently enacted fuel import liberalization law will be of no help. The DepMin said he had recently promoted the idea to local businessmen, but they said if they imported fuel, the next thing they would see would be the militias lining up to claim their blackmail payments.

¶7. (S/REL MNF-I) As for the immediate future of the MoO leadership, change is imminent. DepMin al-Wagga has said he will not return to Iraq (although he reportedly did attend the Dubai oil conference). DepMin al-Shamma has his retirement in mind, but has not yet approached the Minister. DepMin Akram Hassan has a target retirement date in November,

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but is waiting for the Council of Representatives to confirm him as DepMin for pension reasons. All of the DepMins are acting; none have been confirmed. After their departure, the DepMin said USG officials are unlikely to find anyone in the Ministry willing to talk with them, and safety of USG officials visiting Ministry facilities may be at risk. He said all the security guards are Shia, and they have been infiltrated by militias.

¶8. (C) Dathar Khashab, the Director General of the Midlands Refinery Company, told us separately on September 12 that the Minister had not approached him about an extension to postpone his mandatory retirement from the end of 2007, an extension which would also require the concurrence of the Council of Representatives. Sameer Asad, the Director General of the Ministry's technical department, also has told us that he intends to depart by the end of this year.

Biographical note

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¶9. (S/NF) A Kurd, the DepMin said he has been working at the Ministry for three years. He said he had been in charge of the Kurdish Regional Government oil ministry, and before that, worked as a drilling manager. He has ties to Chalabi and Talabani. He lives in the international zone, and when he goes to the office in the Oil Ministry, brings his own Kurdish Peshmerga security detail. In his view, the United States represents the greatest ally to the Kurds. He speaks passable English, but his train of thought at times is difficult to follow.

COMMENT

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¶10. (S) One the one hand, the DepMin's observations are alarmist and may be colored by his own sectarian tendencies, but on the other hand, the length of his experience and the level of his position lend credence to his views. In any event, perception is reality, and claims that the GOI is buffeted by competing interests are commonplace. Our plan, nevertheless, is to continue to engage the Ministry as

possible, and to emphasize the advantages of Western oil companies and markets. As for the Ministry, the kidnapping of DepMin al-Wagga has had a demoralizing effect, and it appears likely that it will soon face an even greater leadership vacuum. Although that hardly distinguishes it from other Iraqi Ministries these days, it is a serious matter given the centrality of oil to the Iraqi economy.

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